THE NATIONAL HOCKEY LEAGUE IN CANADA

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The Hon. John Manley, P.C., M.P.
Ottawa South (Ont.), Minister, Industry
Canada
House of Commons
Room 607, Confederation Building
Ottawa ON K1A 0A6

Dear Mr. Manley:

It is with pleasure that I submit to you our report on the initiatives we have undertaken with respect to the question of the financial viability of the six remaining National Hockey League teams in Canada.

As you will recall, the mandate of the Public Policy Forum was to facilitate discussions among the different stakeholders in Canadian NHL hockey, and to determine the level of commitment among the stakeholders to a shared solution for maintaining a strong NHL presence in Canada.

Over the summer of 1999, the Public Policy Forum undertook two consultations with the stakeholder group. First, an all-stakeholder roundtable was held on June 28th to determine the commitment of the different parties to a shared solution, and to raise possible options for such a solution. Second, the Public Policy Forum undertook a set of bilateral discussions with stakeholders to sustain the dialogue between and among them and to challenge them to provide new ideas as to how a shared solution may be developed.

This report encapsulates the results of over 50 bilateral and multilateral consultations with the stakeholders and outlines the views of each on their possible role in a shared solution. We trust that the information provided herein will help the federal government determine its own role in such a shared solution.

Sincerely,

David Zussman
President

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THE NATIONAL HOCKEY LEAGUE IN CANADA – EXECUTIVE SUMMARY

Context

This document presents the outcomes of consultations undertaken by the Public Policy Forum with stakeholders interested in the future of National Hockey League (NHL) teams in Canada. Stakeholders in the public sector included representatives from Industry Canada, from the governments of each of the provinces in which NHL teams currently play (Quebec, Ontario, Alberta, British Columbia), and from the relevant municipal governments (Montreal, Kanata/Regional Municipality of Ottawa-Carleton, Toronto, Calgary, Edmonton, Vancouver). Other stakeholders include the teams themselves (Montreal Canadiens, Ottawa Senators, Toronto Maple Leafs, Calgary Flames, Edmonton Oilers, Vancouver Canucks), the National Hockey League administration, and the National Hockey League Players' Association (NHLPA).

The Public Policy Forum was retained by the Department of Industry Canada in June, 1999, in response to a call from Canadian NHL teams to the Hon. John Manley, Minister of Industry Canada, concerning assistance in ensuring their future economic viability. The Public Policy Forum is a national, non-partisan, not-for-profit organization aimed at improving the quality of government in Canada through better dialogue between government, the private sector and the third sector. As such, the role of the Public Policy Forum was to ensure that an informed dialogue between all interested parties was created and sustained throughout the process, with the hope that an agreement for a shared solution could be found among the stakeholders.

It was decided at the beginning of the process that consultations should begin in the form of a roundtable on June 28th, which represented the first time that the entire group of stakeholders met to discuss the issue. During the roundtable, the participants identified and discussed a variety of options which might help improve the financial situation of the Canadian NHL teams. At the end of the roundtable discussions, support was generally expressed for further exploration of the concept of a *shared solution* by all stakeholders. It was recommended that consultations continue in the form of bilateral discussions between the Public Policy Forum and the individual stakeholders. The results of these bilateral discussions were to be then brought back to a second roundtable for discussion and agreement on steps towards implementation.

Between July and September 1999, the Public Policy Forum undertook the second stage of the process. This consisted of bilateral consultations between representatives of the Public Policy Forum and the individual stakeholders. During these sessions, stakeholders were probed to determine how they viewed the various options discussed at the June 28th roundtable, to identify other potential options they believed might also contribute, and how their specific jurisdiction might be able to contribute to a shared solution. The Forum representatives also sought to gain a greater understanding of the pressures facing stakeholders in the different jurisdictions. By mid-September, 1999, the Public Policy Forum had held consultations with representatives from all but one of the stakeholders, the City of Montreal.

Subsequently, two of the stakeholders – the Government of Ontario and the federal government – exchanged letters on possible roles each could play in the shared solution. On the one hand, the Government of Ontario expressed concern about sports lotteries as part of the solution, and proposed that the NHL hockey teams in Ontario could be supported through possible tax relief options. On the other hand, the federal government proposed that new sports lotteries directly related to Canadian NHL hockey could be a viable option. In addition, the Region of Ottawa-Carleton also wrote to the Government of Ontario in support of the tax relief option.

Observations on the Results of the Consultations

The intent underlying the bilateral consultations was to explore whether concerted efforts by the different stakeholders to address the current situation would be possible, and to determine the feasibility of a *shared solution*. Using this approach, a *shared solution* would entail a direct contribution by all of the stakeholders in helping all of the Canadian teams overcome their current financial challenges. While this concept does not explicitly require equal burden-sharing by each of the stakeholders, it would require that each of the major stakeholders agree to provide fair and substantial support to ensuring a future for NHL teams in Canada.

To date, each of the stakeholders consulted has provided a response to the Public Policy Forum on what it sees as its role or contribution in a possible shared solution. An analysis of the consultations demonstrates that there are four categories of responses:

1. The stakeholder in question recognizes the problem, but believes that the solution is in the hands of other stakeholders.

    - This was the response provided by the Government of British Columbia, by the Cities of Toronto and Vancouver, and by the NHLPA.

2. The stakeholder in question believes that it has contributed its fair share, and will continue to do so, but is not in a position to offer any additional direct contributions.

    - This was the response provided by the Government of Alberta, the cities of Edmonton and Calgary, and the National Hockey League.

3. The stakeholder in question believes that this problem warrants action, and will make a contribution to its resolution provided all stakeholders contribute to a solution.

    - This was the response provided by the federal government, the Government of Ontario, the city of Kanata and the Regional Municipality of Ottawa-Carleton.

4. The stakeholder in question does not wish to participate in a shared solution, but may choose to act on its own.

    - This was the response provided by the Government of Quebec.

At this stage, the Public Policy Forum believes that the elements required for a *shared solution* consisting of contributions from all the major stakeholders that would ensure the future economic viability of all six existing Canadian teams cannot be forged from the current contributions. Discussions and agreement on this *shared solution* was to be the basis for a second stakeholder meeting. Given the diversity of responses of major stakeholders in the bilateral consultations, as outlined above, the Public Policy Forum does not see the utility of holding a second stakeholder roundtable.

THE NATIONAL HOCKEY LEAGUE IN CANADA –

REPORT ON THE CONSULTATION PROCESS

Overview

The following pages provide more detailed information on the results of the two-stage consultation process undertaken by the Public Policy Forum to facilitate the search for a stakeholder-generated solution to the financial difficulties facing the National Hockey League teams in Canada. It consists of three sections.

The first section provides a report on the results of the first stage of the consultation, the all-stakeholder roundtable that was held in Toronto on the 28th of June, 1999.

The second section highlights the outcomes of bilateral consultations held between the Public Policy Forum and the different stakeholders over the months of July to September, 1999.

The third section details the Public Policy Forum's observations, based on the results of the two stages of this consultation process.

Appendix I contains the discussion document distributed by the Public Policy Forum to participants prior to the June 28th roundtable.

Appendix II consists of a list of stakeholders who participated in the roundtable.

Appendix III includes copies of various documents exchanged by some of the stakeholders during the period of bi-lateral and multi-lateral consultations.

Introduction

On June 28, 1999, the Public Policy Forum held a roundtable at the initiative of the Hon. John Manley, Minister of Industry Canada, to discuss the future of National Hockey League (NHL) teams in Canada. In attendance were representatives of the federal government, the governments of the four provinces in which NHL teams are currently located (Québec, Ontario, Alberta, British Columbia), the municipal governments representing jurisdictions in which these teams play (Montreal, Kanata/Regional Municipality of Ottawa-Carleton, Toronto, Calgary, Edmonton, Vancouver), the six Canadian teams (Montreal Canadiens, Toronto Maple Leafs, Ottawa Senators, Calgary Flames, Edmonton Oilers, Vancouver Canucks), the NHL Players' Association (NHLPA) and the NHL.

The roundtable was chaired by Mr. David Johnston, President of the University of Waterloo; all discussions were held *in camera*. The roundtable began at 9:35 a.m., and concluded at 3:50 p.m. Following the roundtable, a press conference was held in an adjoining room, led by Mr. Johnston; a number of stakeholder representatives also took part in the press conference.

Prior to the roundtable, participants received a package of documents intended to help inform the dialogue during the meeting. This package contained logistical information on the meeting, a discussion paper prepared by the Public Policy Forum, as well as a set of submissions from a number of stakeholders. Briefs were submitted by the City of Kanata, the Montreal Canadiens, the Vancouver Canucks/Orca Bay Entertainment, the Edmonton Oilers and the Ottawa Senators.

This roundtable marked the first time that all of the key stakeholders of NHL teams in Canada have met to discuss the issue. The intent of the meeting was not to achieve immediate solutions to the current situation, but rather to establish and discuss the parameters of the situation, and to develop plans for collaborative next steps.

The roundtable was structured in two parts. First, participants were asked to make introductory statements to outline their views on the business environment in which Canadian NHL teams operate, the importance of NHL teams to the Canadian economy, and the role of professional hockey in Canadian culture and identity. Second, participants were invited to identify and discuss possible solutions that might ensure the future viability of NHL teams in Canada.

This document outlines the general themes that emerged during the course of the roundtable, and includes a list of options offered by participants for further discussion over the coming months.

Section I – General Themes

Mr. Johnston invited participants to make introductory remarks and to share with the group their perspectives on the current situation facing NHL hockey in Canada.

The introductory statements demonstrated a commonality of purpose around the prevailing view that hockey has a special role in Canadian life. However, they also recognized that the viability of the NHL in Canada rests on a complicated and intricate set of issues that impact on both the government and business representatives among the stakeholders. Three general themes emerged during this portion of the roundtable:

1. **Impact of Hockey:** Participants noted that hockey plays a significant role in Canadian society.

   (a) Historical and Cultural Significance: Participants from all perspectives noted the prominent role that hockey – and professional hockey – has played in the history of Canada. As noted in one introductory statement, all of those at the table were likely to remember where they were and what they were doing when Paul Henderson scored the winning goal in the final game of the Canada-USSR tournament in 1972.

   As a corollary to the notion that "hockey is embedded in the Canadian psyche," participants were also quick to point out that *Canada* is also embedded in the psyche of the NHL. This is demonstrated in part by the fact that close to two-thirds of NHL players in the league today are of Canadian origin, in spite of the large proportion of teams that are based in the United States. As well, the fan base for Canadian teams is close to equal with those of American teams, despite the vast differences in population size.

   (b) Community Impact: The impact of professional hockey on the communities in which NHL teams play is difficult to measure. On the one hand, the teams contribute to local initiatives, such as youth programs and sports camps, and many play a prominent role in attracting donations to various social causes. On the other hand, a number of participants voiced concern that the impact of the NHL on quality of life in Canada at times tends to be amplified by the prominence of the league in the media: while the league and owners are quick to underscore the number of community programs in which the teams and players are involved, the media often overstate the contributions the teams make to youth programs and other community based initiatives.

   A participant also stated that if "[government] tried to subsidize NHL teams, [it] would have a multitude of interest groups knocking on its doors." Further study of the actual impact of the teams on the communities in which they operate was suggested, as a precursor to any sort of shared solution and stakeholder cooperation.

   (c) Economic Significance: Participants noted that there exist a number of benefits derived from the presence of NHL teams present in Canada. The key benefits noted at the roundtable, and raised in stakeholder submissions, include:

(i) **Employment:** Approximately 11,000 Canadians are employed in full and part time positions – either directly or indirectly – as a result of NHL teams.

(ii) **Local Investment:** Municipalities benefit from the investment of NHL teams; it was noted, for example, that the six Canadian teams have generated approximately $1 billion in infrastructure investment over the last decade.

(iii) **Public Revenues:** It is estimated that the activities of the six NHL teams generate over $200 million annually in taxes paid to or collected on behalf of different levels of government, e.g. income, property and entertainment taxes.

(iv) **Other Impacts:** A number of municipal representatives noted that the impact of a team on the reputation – both national and international – of cities is substantial, and that teams can be seen to provide a degree of international prestige to their home towns.

2. **Multifaceted Challenge:** Although five of the six Canadian NHL teams are operating at what the league has deemed "untenable" financial levels, it is very clear from the discussions that the situation is the result of a combination of forces, rather than one monolithic problem. The nature of the challenges facing Canadian teams means that no single solution will overcome the challenges facing Canadian teams over the long term.

   The fact that these organizations operate in a multi-jurisdictional environment further increases the challenge for developing a shared national solution. For the most part, the survival of Canadian teams will depend in part on a "leveling of the playing field – or rink," between them and their American counterparts, in the form of a shared and adaptable solution. There will also need to be a variety of approaches used in implementing solutions to address the situation over the short, medium and long terms.

   Below is a list of some of the main tensions affecting the economic viability of the Canadian teams, as outlined during introductory remarks.

   (a) Infrastructure Costs: Four of the six Canadian teams have privately funded the development of new arenas in the last decade. At the same time, most of their American counterparts enjoy what Canadian owners claim is an "unfair advantage," since infrastructure such as arenas is heavily subsidized with public funds in many of the venues.

   (b) Currency Imbalance of Revenues and Expenses: The relative weakness of the Canadian dollar places teams at a competitive weakness of approximately 35 % *vis-à-vis* their U.S. counterparts. This is due particularly to the fact that team revenues are mostly in Canadian dollars while player salaries are paid in U.S. funds. Professional hockey is one of relatively few major businesses in Canada, along with professional baseball and basketball, that must pay most of its expenses in American dollars while deriving most of its income in Canadian ones. The consequence has been that the recent significant decline in our exchange rate has been very damaging financially for the six Canadian hockey teams.

   (c) Municipal and State/Provincial Taxation: Taxation represents a substantial proportion of team expenditures. The participants noted that the amount of property and capital taxes

paid by all 21 American teams combined adds up to approximately one-quarter of the same paid by the six Canadian teams.

Not all Canadian teams experience the many different factors involved to the same extent. The result is that the threat to economic viability varies substantially from province to province, and from team to team. For instance, it was noted that teams in Ontario and Québec must shoulder tax burdens that are considerably higher than those in Alberta, and the cost of arena rental and upkeep varies from city to city.

3. **Public Perceptions:** Participants representing all stakeholders were quick to note the political volatility of this issue, but from two different perspectives. On the one hand, the connotation that this issue could potentially involve "handouts to millionaire players and owners" remains one of the greatest challenges facing government participation in the development of a shared solution. Ensuring that the full extent of the issue is addressed will involve two very basic elements:

   (a) Open Communication: As noted by a number of participants, it is of the utmost importance that the parties freely and regularly share all information related to the problem. This type of information ranges from financial statements to the outcomes of meetings that take place in future on the subject between and among the different stakeholders.
   (b) Continued Consultation: The complexity of the issue will clearly require further consultation between the stakeholders, both bilaterally and multilaterally, and possibly a future roundtable such as the one that took place on the 28th of June. Regular status reports need also to be shared with the stakeholders, to ensure that each attends future consultations armed with the same information, and is properly represented.

   On the other hand, it was pointed out during the meeting that the departure of two or more NHL teams from Canada over the next few years could possibly present an even more troubling scenario. Strong agreement was therefore voiced at the table on two key points:

   (a) Shared Solution: The volatile nature of this issue means that a solution needs to involve input from all stakeholders, and the roles and responsibilities of each of the stakeholders should be made clear to the public from the outset.
   (b) Communication: It will be of utmost importance that future communications on solutions that might be adopted clearly demonstrate that each party has cooperated in its development, and each has "given and taken" in order to keep the NHL teams in Canada.

Section II – Some Current Initiatives

Participants shared with the group two programs that have been implemented in Canada and in the hockey community that are aimed at ensuring the future viability of some of the smaller market teams in this country.

- **Location Agreements:** In addition to a number of tax exemptions afforded to two of the six Canadian teams, the City of Edmonton maintains a location agreement with its team, the Oilers. This is intended to ensure that, while the city will contribute a set amount toward the operation of the team and building maintenance, the beneficiary team has signed an agreement that it will not leave the city over the same period. The Oilers and the City of Edmonton are also bound to contract re-negotiations prior to the end of the agreement, with the aim of achieving a further deal.
- **League-Based Plans:** The NHL has implemented two programs to help smaller-market teams offset some of the business challenges that face them. First, the Supplemental Currency Assistance Plan addresses the more severe effects of the currency exchange rate between the American and Canadian currencies. This plan, to which all NHL teams contribute, is designed to provide support to the small-market Canadian teams in the form of a currency top-up, particularly when player transactions occur; it is estimated that the value of this plan currently stands at slightly over US$7.5-million. Second, the Group II Equalization Plan has been implemented in one instance in recent years to help share the burden faced by small market teams. Teams must provide evidence of sound financial administration prior to becoming eligible for these programs, and are not eligible once their revenues reach the top percentiles of team revenues league-wide. At present, it is estimated that the combined plans have provided support to four of the six Canadian teams on the order of CAN$12.7 million *per annum*.

Section III – Options

During the remainder of the roundtable, participants contributed ideas for options that could help the six teams remain financially viable in Canada, and competitive in the NHL. This section documents each of these with the intention of sustaining the discussion between the different stakeholders, and with an eye to developing a shared solution for the short and long terms.

- **International Trade Dialogue:** In light of the fact that the NHL teams face their greatest competition – both on and off the ice – from American teams, it was suggested that the federal government initiate discussions with its American counterpart to address what many noted to be an unfair trading advantage among American teams. It was recommended that these discussions centre on ensuring "an equal playing field," given that a number of U.S. teams enjoy such advantages as state or local government subsidies for infrastructure and tax exemptions, both of which are prohibited for most other NAFTA industries.

  This would entail investigation to determine the impact of viewing professional hockey as a separate industry in Canada, and a review of the federal trade framework within which it operates. A number of precedents exist for support of industries in Canada, providing the opportunity for useful comparisons to be made. For instance, participants at the roundtable drew comparisons between the film industry and professional sports in Canada, and the fact that the film industry receives considerable support from public sector initiatives. Although some recent protests by American film companies have taken place, there are some interesting cross-border parallels between the film industry and professional hockey in Canada.

- **Taxation:** It was noted that a high amount of the tax burden for many of the Canadian teams is due to provincial and municipal taxation. This includes tax on infrastructure, real estate, and, in Ontario, the entertainment tax that is levied due to the international component of the NHL. A comparison was drawn between the NHL and other Canadian industries, such as film-making, wherein foreign film companies and actors receive substantial tax incentives to produce motion pictures in Canada.

  Participants suggested that a review of provincial taxation could be undertaken to determine ways to reduce this burden. It was also suggested that a study of municipal taxes be initiated to explore potential areas for reduction. Participants noted, however, that municipalities need to abide by provincial regulations on taxation, and would therefore be more constrained in their ability to alter the taxation framework facing professional sports organizations. This aspect of municipal taxation might also be studied.

- **Sports Lotteries:** Building on the conclusions of the Sub-Committee on the Study of Sport in Canada, entitled "Sport in Canada: Leadership, Partnership and Accountability," a number of participants recommended that steps be taken to re-allocate a portion of the revenues generated by sports lotteries in the provinces. It was noted that lottery proceeds on NHL games generate up to $55 million annual net revenue for all provinces with sports lotteries, but no benefit is gained by the league or the teams. A number of participants recommended that, by involving the league and the teams through branding and other marketing initiatives, greater revenues might be generated, and a proportion of the proceeds could be devoted to revenue enhancement for NHL teams.

  It should be noted that the regulatory framework for sports lotteries would need to be studied in order to explore further options for joint ventures and the re-allocation of lottery revenues.

- **Copyright and Intellectual Property Laws:** Canadian copyright laws on intellectual property do not apply to the situation of NHL teams and sports lotteries. It was noted by one participant that the teams do not have legal recourse for achieving a re-allocation of sports lotteries funds, or for ensuring that royalties are paid to them as a result of gambling on NHL games. It was stated that the NHL has, in the past, examined the law to determine whether a case could be made against the provinces, but it was determined impossible at an early stage. As a possible option to improving the business climate facing NHL teams in Canada, therefore, it was suggested that the current legal framework be revisited, with an eye to determining if adjustments could be made to accommodate sports events under intellectual property laws.

- **Sports Collaboration Mechanism:** It was recommended that an arm's length government mechanism be instituted that would help stakeholders, including various levels of government, private sector organizations and others, create partnerships to support the development of professional and amateur sports in Canada. This mirrors a recommendation of the report on *Sport in Canada*, that calls for such a mechanism to be responsible for government sports programming, to be able to leverage private sector involvement in partnerships with the public sector, and to "be responsive to government's wider social

priorities and be accountable for the provision of public funds." One participant noted that Telefilm Canada represents one example upon which to model such a mechanism. Such an initiative might also help ensure that any solutions for improving the business climate for professional sports are responsive to local needs and parameters.

- **Television Rights:** The possibility of an all-hockey television network in Canada, to "expand electronically" game attendance and to increase the advertising revenue for Canadian NHL teams, was raised by a participant as a possible option. It must be recognized that an application for such a network was made to the Canadian Radio-Television and Telecommunications Commission (CRTC) earlier this decade, but that it was refused. At the same time, a number of long-term broadcast rights agreements for hockey games have been signed between the NHL and various Canadian and American television networks; any new network would have to take these into consideration. It was recommended, however, that this option remain open, and that further study be undertaken on the feasibility of creating such a network as broadcast agreements expire or come up for renewal in future.

- **League-Based Programs:** Strong interest in the programs implemented by the NHL to assist small-market and Canadian teams was expressed at the roundtable, particularly in light of the fact that they take into consideration the challenge caused by the currency exchange rate. Given the relative success of these programs, and the success of revenue sharing plans in place in other professional leagues, it was suggested that further study be undertaken to determine options for expanding them.

- **Commemorative Memorabilia:** According to one participant, there remains an untapped source of revenue in the form of commemorative memorabilia, such as coins and stamps, that could be issued on a regular basis and sold in both Canada and abroad. It was suggested that the regulatory framework of Canada Post and the Canadian Mint be studied to determine whether this is a feasible option, and what sort of royalty agreement this would require from the players, the teams, and the NHLPA.

- **Regular Stakeholder Meetings:** It was strongly suggested that the means for ensuring ongoing dialogue between the stakeholders be established at an early date. In addition to proposing another stakeholder meeting in the coming months, two additional suggestions were offered by participants:

  First, a standing committee might be created consisting of representatives from each stakeholder, to ensure that the dialogue that was initiated on June 28th is sustained over the long-term. The intent of this committee would be to share information on developments in the business climate facing Canadian hockey, as well as to maintain an ongoing forum for feedback on different solutions to the current situation.

  Second, a series of bilateral meetings might be facilitated between the teams and the various levels of government, to ensure that any shared solution be able to accommodate the different parameters in the business climate facing each team. It was noted, for instance, that the problems facing the Ontario teams are rather different from those facing the Alberta teams, and such bilateral discussions would be well suited to addressing these differences.

As noted above, this brief list represents a summary of the options discussed at the roundtable. It does not, for the most part, ascribe roles for different stakeholders within each option. Rather, it was intended to provide basic guidance for further discussion between the different stakeholders, and for establishing a baseline for the development of shared solutions.

Results of the June 28th roundtable

At the end of the June 28th roundtable, the participants agreed that further exploration was needed to ascertain whether concerted efforts by the different stakeholders to address the current situation would be possible, and to determine the feasibility of a shared solution involving all the stakeholders.

It was recommended that the Public Policy Forum undertake this task by sustaining the dialogue between and among the stakeholders in the form of bilateral consultations. The Public Policy Forum was also asked to challenge the different stakeholders to provide new ideas as to how a shared solution may be developed.

Participants also agreed that a second stakeholder roundtable should take place following the round of bilateral consultations, for discussion and agreement on steps toward the implementation of a shared solution.

This section documents the outcomes of the bilateral consultations undertaken by the Public Policy Forum during the months of July and August 1999. The results of consultations are provided in three sections. First, the comments provided by individual stakeholders are classified into three groups: provincial governments, municipal governments, and the league and player representatives. Second, general feedback on the list of options developed during the June 28th roundtable is also provided. Third, some additional comments and issues that emerged during the period of consultations are reviewed.

Section 1 – Stakeholder Consultations

(a) Federal Government

The following reflects the proposals for a shared solution by the federal government.

- The federal government proposed that new provincial sports lotteries be established, and declared itself willing to consider directing all federal revenue shares from these lotteries towards the Canadian NHL teams. (See letter from the Hon. John Manley to the Hon. Ernie Eves, Appendix III. See also the discussion on lotteries on page 18.)
- The federal government also stated that since the CRTC is an independent, quasi-judicial agency, the government (and Industry Canada in particular), was not in a position to know whether an application for an NHL specialty channel network would be accepted. However, the NHL was encouraged to pursue this option.
- The federal government also re-iterated its position that federal government participation required that all stakeholders should contribute significantly to a shared solution, including the NHL and the NHLPA.

(b) Provincial Governments

The Public Policy Forum has undertaken consultations with the four stakeholder provincial governments. This section summarizes their comments.

<u>British Columbia</u>

- Although the provincial government would like the Canucks to remain in Vancouver, it would be very difficult for the politicians to publicly support funding professional hockey, either directly or through special tax concessions – particularly because of public perceptions of "overpaid players".
- The government would also be reluctant to divert sport lottery money already being distributed elsewhere.

- The government believes the team will remain as long as the owners earn money with GM Place, and place the onus on the NHL and the player's association to take significant steps towards solving the problem.

- The Government of British Columbia suggested that the federal government needs to make a significant reduction in taxes, in order to lessen the burden on the Canadian teams.

Alberta

- The Government of Alberta is uncomfortable with the idea of participating in a shared solution, stating, first, that it has reduced provincial taxes on the teams to their lowest possible level, and second, that both of the Alberta-based teams are well run, and that it is the league and the federal government that need to take action.

- The general position of the Government of Alberta, one that reflects its experience with a recent series of high-profile business failures, is that the government is not in the business of running businesses. The government sees NHL hockey as a business and believes the business community should be left to run its own affairs.

- Player salaries are seen as the most significant aspect of the problem facing the Canadian NHL teams.

- The government would be interested in seeing what the league is doing to reduce its costs, noting that even a low-cost team like the Oilers did relatively well last year. It was also suggested that the average Canadian fan is likely prepared to support a competitive, even if low-cost, product on the ice, that is to say, a team that does not include highly-paid superstars.

Quebec

- The position of the Government of Quebec is that the situation facing the NHL teams is different from province to province, and as a result it is developing its own file on the situation facing the Montreal Canadiens. It plans to undertake consultations with the city of Montreal and the team during the late summer and fall of this year, to determine if a solution can be worked out by the province.

- The Government of Quebec plans to focus its efforts on helping the Montreal Canadiens, in cooperation with the city of Montreal and the team itself. It also senses that it has the luxury of time to develop a file on the subject. This is due in part to the fact that, in spite of the pressure being placed on governments for financial support by out-of-province clubs, the Montreal Canadiens are not in immediate danger of leaving Quebec.

- The Government of Quebec is reluctant to consider re-allocating sports lotteries revenues to a shared solution, due in part to the fact that the return on investment for sports lotteries is already substantially lower than for other forms of lotteries.

- It was noted that escalating player salaries make a public contribution to a solution a difficult topic, and that the government hoped that efforts would be taken to curb the explosion in salaries.

Ontario

- The Government of Ontario stated that any solution to which it would contribute would need to be a shared solution, involving a direct contribution from all stakeholders. (See letter from the Hon. Ernie Eves to the Hon. John Manley, Appendix III.)

- The province does not agree with the idea of allocating provincial sports lottery revenues toward a shared solution, stating that it currently forwards a substantial amount of these revenues to the federal government, and that additional allocation would not be feasible. In addition, the Government of Ontario fears that new sports lotteries whose proceeds would be directed in part or as a whole to Canadian NHL hockey teams would erode lottery revenues currently going to not-for-profit organizations.

- The Government of Ontario has stated that it is willing to consider possible property tax relief for professional sporting facilities, but that this would require the participation and support by the municipalities in question.
- It was suggested that the federal government revisit the CRTC's decision not to allow the establishment of an NHL specialty channel network.

(c) Municipal Governments

The Public Policy Forum has consulted with five of the six municipal stakeholders involved. This section provides an overview of those consultations.

Vancouver

- The City of Vancouver wants the Canucks to remain in Vancouver. However, they are reluctant to burden other businesses with extra taxes in order to reduce taxes to the team.

Calgary

- The City of Calgary is keen on keeping the team and is already helping the team by forgiving property taxes.

Edmonton

- The City of Edmonton is keen on keeping the team and is already helping the team by forgiving property taxes and by contributing some $10M to renovating the Edmonton Skyreach Center.

Additional Note for Calgary and Edmonton

- The cities of Edmonton and Calgary have retained a consultant to look into the possibility of putting together a local sport lottery in the form of bonds which will raise funds to help cover capital costs for all three professional sports teams in each city (hockey, baseball, football).

Toronto

- The City of Toronto does not feel it has anything to contribute since the Maple Leafs are financially viable.
- They also do not support allowing cities to make special tax concessions since Toronto is at an advantage with the current tax structure.

Kanata/Regional Municipality of Ottawa-Carleton

- The City of Kanata and the Regional Municipality of Ottawa-Carleton support the Corel Centre's bid to be re-assessed for property taxes, even though this will reduce tax revenues for both levels of government. (See letter from Mr. Bob Chiarelli to the Hon. Ernie Eves, Appendix III.)

City of Montreal

- In spite of interest among the city administration, the Public Policy Forum was unable to hold bilateral consultations with the City of Montreal, due primarily to scheduling conflicts.

(d) League and Players

The Public Policy Forum has undertaken consultations with representatives from the National Hockey League, as well as preliminary discussions with the National Hockey League Players' Association (NHLPA).

National Hockey League

- The NHL has proposed to extend two of its current programs, the Group II Equalization Plan and the Supplemental Currency Assistance Plan, through to the end of the current collective bargaining agreement (2004). League representatives have noted that the NHL is not in a position to expand the existing programs. (See "Professional Hockey in Canada: NHL Self-help Initiatives and Proposed Stakeholder Contributions", Appendix III.)
- The league will continue ongoing efforts to support the Canadian teams through television rights allocation, and a league-wide resolve to control player costs.
- The National Hockey League has suggested that if its logos and symbols were to be used to generate additional revenues from sports lotteries, it would agree to share on a 50-50 basis the incremental revenues generated in each of the provinces. This would mean that, if a marketing program for current lotteries could generate additional lottery revenues, that the NHL would share half of this increment with amateur sports programs and other community-based programs in Canada. As well, the League would work to ensure that the rights to the

revenues collected would be shared among the six Canadian teams, requiring the agreement of the group of American teams.

- In the event of a shared solution, the league will approach its teams to commit to remaining in Canada through to the end of the current collective bargaining agreement. As well, it has acknowledged that the terms of a solution would need to be shared equally among the six Canadian teams.

NHLPA

- Preliminary discussions, and the representation of the NHLPA at the June 28th roundtable, have demonstrated that the NHLPA is supportive of the concept of a shared solution. It was stated at this time that the Canadian players in the league are also interested in ensuring the future viability of the NHL in Canada.

- The NHLPA noted that recognition of the NHL as a unique North American industry is an important step in understanding the parameters of the issue.

Section 2 – Discussion of Options

The Public Policy Forum has received feedback on the options discussed at the June 28th roundtable for improving the financial situation of the Canadian NHL teams. This section provides an overview of the feedback provided by stakeholders on each of the options, with, in some cases, additional information on parameters affecting the use of these options.

1. **Trade Dialogue:**
   - Although none of the stakeholders consulted to date believe they have any role in international trade dialogue, it has been recommended by many of the stakeholders that such discussions take place with the United States, especially in light of the very different situation of government support for professional sport in the United States.

2. **Taxation:**
   - **Ontario:** Some support has been expressed for review of the tax structure for sports arenas. The possibility of creating a special tax status for arenas that would help lower the amount paid has been discussed. It has been suggested that the special tax status conferred upon the Brampton Battalion, a new Ontario Hockey League team, be studied as a possible model.
   - **Other Municipal Taxes:** Little support has been voiced for change to municipal taxes outside of Ontario. At present, the cities of Calgary and Edmonton do not levy what their teams consider to be inordinately high taxes, and the City of Vancouver is reluctant to consider reducing municipal property taxes for the Canucks.
   - **Sales Tax:** It has been noted that the impact of the Canadian Goods and Services Tax, which has helped make Canadian manufacturers more competitive since it replaces the manufacturers' tax and makes Canadian goods less expensive in foreign markets, be

studied to determine what disadvantage it causes to Canadian sports teams *vis-à-vis* their American counterparts.

- **Entertainment Tax:** Several of the parties consulted have recommended that the Government of Ontario review its basis for charging entertainment tax on NHL hockey games in Toronto and Ottawa.

3. **Sports Lotteries:**
   - Gaming and betting (lotteries) is a federal jurisdiction as per section (27) of the Constitution Act, 1867. However, authority over lotteries was delegated to the provinces based on a contract between the federal and provincial governments dated June, 1985, and reflected in changes to the Criminal Code. As a result, provinces can conduct and manage lottery schemes in their province; they can also license organisations for these purposes. The lottery field is clearly in the hands of provincial authorities, pursuant to the 1985 agreement. This agreement also precludes the federal government from re-entering the lottery field and ensures that the rights of the provinces, in this regard, are not reduced or restricted.
   - A number of the teams, as well as the NHL, support the sports lotteries option. Some provincial representatives, however, noted that this option is unlikely to solve the problem, since the cost of administering these lotteries is high relative to other forms of gambling. The revenues to be generated and re-allocated are therefore likely to be substantially smaller than believed by the teams.
   - In addition, provincial governments are generally not supportive of re-allocating their share of sports lottery revenues. Provincial government representatives have suggested that the federal government consider allocating part of its share to the Canadian teams.
   - The National Hockey League has suggested that if its logos and symbols were to be used to generate additional revenues from sports lotteries, it would agree to share on a 50-50 basis with provincial amateur sporting organizations and other community programs the incremental revenues generated in each of the provinces, and that the American teams in the league would likely be willing to relinquish their rights to such revenues in favour of their Canadian counterparts.

4. **Television Rights:**
   - **Direct-to-Home**: A private, direct-to-home hockey broadcasting network could generate additional revenues in the area of regional viewing markets, while offsetting the grey-market effect of foreign satellite distributors. This would require changes to federal television regulation and rights.
   - **Revenue Distribution**: All national television revenues for NHL hockey are distributed evenly among the teams in the league. It has been suggested that a small premium of the revenues generated in Canada be allocated to the Canadian teams before the remainder is sent to the NHL for wider distribution. By contrast, however, hockey television revenues in the United States are greater than those generated in Canada, and appear set to continue to rise while the Canadian market is saturated (outside of the potential offered by direct-to-home systems).

5. **League-Based Programs**

- The NHL has expressed its willingness to continue its current programs, but is not prepared to expand them. Some stakeholders have expressed the desire to see the level of the present league-based programs be increased. There is some doubt, however, that these programs will provide substantial amounts to the Canadian teams. As well., there is little faith that the NHL will consider expanding them.

6. **Commemorative Memorabilia**
   - **Stamps:** Canada Post has in the past produced special stamps to raise funds, and results were discouraging. Special legislation would also be needed to allow a stamp to be produced.
   - **Coins:** Of the existing options, the numismatic option, that is, collectors' coins sold to generate revenues for the NHL, is the most viable.
   - The NHL has expressed concern that this option will generate only a small amount of the revenue required to address the current situation facing Canadian NHL teams.
   - The NHLPA controls copyright over portrayals of *current* NHL players only.

7. **Regular Stakeholder Meetings**
   - Other than the fact that the level of urgency expressed by different stakeholders differs in this situation, there was general agreement among stakeholders with the idea of the federal government facilitating regular stakeholder meetings to continue discussions on supporting the future viability of Canadian NHL teams.

Section 3 – Other Issues

During the consultation period, a number of other issues emerged that place significant conditions on the possibility for a shared solution.

- **Multiple Challenges:** While it is the overall financial viability of the Canadian NHL teams that is at the root of the problem, the parameters of the challenges facing teams vary from jurisdiction to jurisdiction. As a result, therefore, the conditions for success – and for failure – of the process based on a solution for all six teams remain obscure.
- **Public Opinion:** Although the Public Policy Forum has not undertaken any formal polling of the public on the subject, a review of recent surveys and various public commentaries has shown that Canadians remain wary of providing public support in the form of tax dollars or other forms of direct financial contribution toward NHL teams, particularly given the escalation of player salaries in recent years.
- **League Commitment:** There exists a clear consensus among many stakeholders that, given the escalating salaries of professional hockey players, the NHL and NHLPA should contribute directly and substantially to a shared solution.
- **Sunset Clause:** It has been recommended on a number of occasions that a "sunset clause" be included in any solution, possibly to coincide with the end of the players'

Collective Bargaining Agreement in 2004, since the financial situation of the teams could change dramatically in the next 4 to 5 years.

- **Financial Reporting**: The teams should be required to demonstrate that they require financial assistance, but also that they have been financially responsible in their management activities, before any assistance is granted. This implies clear and accountable financial reporting.
- **Amateur Sport:** Several stakeholders have stated that funding to professional hockey teams should be tied to support for amateur sport to help make it more acceptable for the public.
- **Recent Developments:** Since this process began, the Vancouver Canucks administration have stated publicly that they would be willing to put the team up for sale in the coming months, with the intention of relocating before the beginning of the 2000-01 hockey season (October 2000).

Observations on the Results of the Consultations

The intent underlying the bilateral consultations was to explore whether concerted efforts by the different stakeholders to address the current situation would be possible, and to determine the feasibility of a *shared solution*. Using this approach, a *shared solution* would entail a direct contribution by all of the stakeholders in helping all of the Canadian teams overcome their current financial challenges. While this concept does not explicitly require equal burden-sharing by each of the stakeholders, it would require that each of the major stakeholders agree to provide fair and substantial support to ensuring a future for NHL teams in Canada.

To date, each of the stakeholders consulted has provided a response on what it sees as its role or contribution in a possible shared solution. An analysis of the consultations demonstrates that there are four categories of responses:

1. The stakeholder in question recognizes the problem, but believes that the solution is in the hands of other stakeholders.
   - This was the response provided by the Government of British Columbia, by the cites of Toronto and Vancouver, and by the NHLPA.
2. The stakeholder in question believes that it has contributed its fair share, and will continue to do so, but is not in a position to offer any additional direct contributions.
   - This was the response provided by the Government of Alberta, the cities of Edmonton and Calgary, and the National Hockey League.
3. The stakeholder in question believes that this problem warrants action, and will make a contribution to its resolution provided all stakeholders contribute to a solution.
   - This was the response provided by the federal government, the Government of Ontario, the City of Kanata and the Regional Municipality of Ottawa-Carleton.
4. The stakeholder in question does not wish to participate in a shared solution, but may choose to act on its own.
   - This was the response provided by the Government of Quebec.

At this stage, the Public Policy Forum believes that the elements required for a *shared solution* consisting of contributions from all the major stakeholders that would ensure the future economic viability of all six existing Canadian teams cannot be forged from the current contributions. Discussions and agreement on this *shared solution* was to be the basis for a second stakeholder meeting. Given the diversity of responses of major stakeholders in the bilateral consultations, as outlined above, the Public Policy Forum does not see the utility of holding a second stakeholder roundtable.

APPENDIX I – DISCUSSION DOCUMENT FOR JUNE 28TH ROUNDTABLE

THE NATIONAL HOCKEY LEAGUE IN CANADA
A DISCUSSION DOCUMENT

1. Introduction

There are currently six Canadian teams and 21 (increasing to 24 in the 1999-2000 season) American teams in the National Hockey League. These six Canadian teams – Montreal, Ottawa, Toronto, Edmonton, Calgary and Vancouver – have taken the position that their long-term viability in this country is in doubt unless there is substantial improvement in their financial situation.

With respect to this situation, the key question that arises is this: What considerations, if any, are unusual or distinctive enough in this case to provide a rationale for intervention by the different stakeholders?

This paper documents the parameters of the current situation facing National Hockey League teams in Canada, to help inform the debate on initiatives to ensure their long-term viability, and in particular on public sector involvement in the issue.

2. The Context

For four of the Canadian NHL teams – Ottawa, Edmonton, Calgary and Vancouver – the concerns are immediate. In fact, the owner of the Ottawa Senators has publicly stated that he is losing $7 million a year and will begin steps to sell and relocate his team to the U.S. unless there are measures by the end of this summer to improve its financial position.

A fifth team, the Montreal Canadiens, is facing what the NHL describes as "significant financial pressures" and an "unsatisfactory" position. Only the Toronto Maple Leafs are in no immediate difficulty, although the NHL states that the same factors affecting the other teams may progressively erode Toronto's ability to compete effectively.

The NHL states that for the 1996-97 and 1997-98 seasons combined, the six Canadian teams reported combined losses before taxes – confirmed by independent audit – totaling more than $170 million.

Even in a more "optimistic" scenario where most of the teams remain in Canada under current conditions, their financial circumstances could lead to later difficulties. Lacking the funds to attract and keep top-quality players, they may be increasingly unable to compete effectively with other teams in the league. Presenting fans with progressively weaker, losing teams, while

needing to raise ticket prices to survive, would risk reducing attendance - which in turn would reduce revenues, continuing to exacerbate the problem.

While some key factors contributing to the financial problems of the Canadian teams – most notably the escalation of player salaries – are common to all teams in the NHL, the Canadian teams have documented that their position is uniquely precarious because of a number of factors that do not apply to their U.S.-based counterparts.

3. Parameters

A number of factors are at the root of the current situation.

The continuing escalation of player salaries is one significant factor in contributing to the financial difficulties of Canadian hockey teams. In the 1990-91 season, the average NHL salary was *US$*276,000. In 1997-98, it was *US$*1,167,713. For all but the largest-market teams, this escalation is creating increasingly intolerable cost pressures. This problem is in no way a problem *particular* to the Canadian teams. Rather, it is league-wide. Even significantly lower salaries would not improve the competitive position of the Canadian teams relative to their American counterparts – though, if revenues remained the same, it certainly would improve their individual profitability.

The Canadian teams cite three key factors which distinguish their situation from that of the Americans and imperil their future: the currency exchange rate, the treatment of arena construction costs, and differing tax burdens.

3.1 The Exchange Rate

Player salaries account for the majority – roughly 80% - of every team's operating expenses. But since most teams in the league are now U.S.-based, with 77% of players employed by American teams, the six Canadian teams must compete for players on the basis of salaries denominated in American dollars.

At the same time, roughly 80% of the revenues of Canadian teams – from ticket sales, local and Canadian television rights fees, and advertising revenues – is in Canadian dollars.

Professional hockey is one of relatively few major businesses in Canada, along with professional baseball and basketball, that must pay most of its expenses in American dollars while deriving most of its income in Canadian ones. The consequence has been that the recent significant decline in our exchange rate has been very damaging financially for the six Canadian hockey teams.

For instance, the Ottawa Senators' 1999 payroll of *US$*22.5 million would have cost *Cdn$*27 million at the exchange rate prevailing in 1992 and *Cdn$*34.2 million at this year's rate – an additional cash burden of $7.2 million.

It is not likely that the teams can fully make up this difference by raising their ticket prices or ad rates, because they would risk driving down attendance or becoming an uncompetitive advertising medium.

The NHL states that the exchange rate differential currently puts each Canadian team at a financial disadvantage on the order of as much as Cdn$16 million a year relative to American teams.

3.2 Capital Costs for Arenas

After player salaries, the single largest cost factor for every NHL team is the arena in which it plays.

In Ottawa and Vancouver, new facilities had to be built to acquire an NHL team. The Montreal and Toronto teams recently built new arenas to replace facilities they regarded as outdated.

In all four instances, the arenas were built entirely with private capital, with no public sector assistance. In Ottawa, in addition to the costs of the arena itself, the ownership of the Corel Centre was required to bear the bulk of the cost of constructing a new interchange off the Trans-Canada Highway. In Edmonton and Calgary, the teams play in facilities owned by public sector entities, but they each had to invest capital to take over building operations and pay for renovations.

In the case of American teams, on the other hand, the cost of new arenas is typically subsidized in whole or in part by local, county and or state governments. For instance, according to the NHL, arenas in Florida, Nashville, San Jose, Anaheim and Minnesota have been funded almost entirely by the public sector, while those in St. Louis, Tampa Bay, Buffalo, Carolina, Atlanta and Dallas received significant financial assistance from governments.

3.3 Tax Treatment

The tax treatment of Canadian hockey teams differs significantly from that of their U.S.-based competitors. The American hockey teams pay minimal property and capital taxes, and are typically either exempt from sales tax or pay at a reduced rate, while the Canadian teams are fully taxed.

In 1997, according to the NHL, the six Canadian teams paid $21.8 million in property and capital taxes, while all 21 U.S. teams combined paid only $4.1 million.

4. Public Policy Considerations

Based on the above statistical data, there appears to be evidence both that most of the six Canadian NHL teams are in difficulty and that their financial circumstances differ markedly from those of the U.S.-based teams.

The arguments for public sector initiatives to help ensure the viability of the Canadian hockey teams are based on three considerations: the economic contribution of the teams; the cultural or "national identity" significance of professional hockey in Canada; and the international competitive context of the NHL.

4.1 The Economic Contribution of the NHL

The six Canadian teams are a significant source of economic activity. According to the NHL, they directly provide 8,600 full and part-time jobs, as well as another 3,000 jobs in related industries. They directly pay wages and benefits that totaled more than $300 million in 1997, as well as accounting for another $100 million in wages and benefits in related industries.

A closer look at the economic impact of NHL teams was provided by an independent study conducted in 1994 by the Government of Alberta's Professional Sport Policy Committee. That study concluded that the Calgary Flames and Edmonton Oilers together generated direct and indirect benefits totaling in excess of $117 million a year to the local economies. The Committee concluded: "By considerable amounts, the two NHL franchises have a large economic impact within the province."

The tax revenues that these teams provide are also considerable. According to the NHL, in 1997 the six Canadian teams paid or collected $211 million in direct taxes to all levels of government. Player salaries alone generate significant government revenues by virtue of being taxed in Canada. According to the NHL, the Government of Canada receives approximately $130 million a year from income taxes and payroll taxes on league and team employees, primarily the players. Similarly, the total amount collected in sales taxes by the six Canadian teams during the 1996-97 season was approximately $35-40 million. It should also be noted that NHL hockey is not classified as "Canadian entertainment" because of the league's international component, and as a result, the two Ontario teams are required to collect and pay a 10% provincial entertainment tax on ticket sales.

There is also a less quantifiable sense in which professional sports teams contribute to the economic life of cities. In the North American context, they are often seen as urban amenities, which reflect the character of a city, help build its civic spirit, and signify that it is "world class." Such considerations have helped to create the enthusiasm of various U.S. cities for attracting NHL franchises at the expense of substantial subsidies from public funds, but cities like Winnipeg and Quebec City have continued to develop despite losing their hockey teams.

By contrast, and in spite of these perceived benefits, a number of American studies, including a well-publicized report published in 1997 by the Brookings Institute, have taken the view that the economic benefits of professional sports facilities and teams are overstated. The Brookings article summarized the argument this way: "Most spending inside a stadium is a substitute for other local recreational spending, such as movies and restaurants. Similarly, most tax collections inside a stadium are substitutes: as other entertainment businesses decline, tax collections from them fall."

4.2 Cultural or "National Identity" Significance

There is little doubt that hockey occupies a special place in Canadian life and in our national mythology, as our national winter sport.

A national poll conducted in March of this year by Decima Research found that 72% of Canadians agree that hockey "contributes to our identity as a nation and defines us as Canadians." Only our role as peacekeepers (82%) and our healthcare system (80%) ranked higher. Similarly, in a national poll conducted by Maclean's magazine asking about "the things that tie us together," hockey ranked second, preceded only by the national health care system. Industry Minister John Manley recently stated: "[Hockey] is something that I believe is a very fundamental part of the fabric of our country. I think it would be tragic if we were to lose NHL teams."

A corollary of this positive aspect of hockey is the negative impact on public opinion to be anticipated if, say, four of the six NHL teams were to leave Canada for the U.S. in relatively rapid succession.

4.3 International Competitive Context

The international competition in which our hockey teams are engaged is different from competition among companies for export markets.

Government-subsidized NHL teams in the U.S. are better able to afford higher-salaried top players who are beyond the reach of Canadian teams, putting our teams at a permanent competitive disadvantage. Since losing teams are likely to have trouble attracting enough fans to fill arenas, the subsidies enjoyed by their competitors constitute a threat to their viability.

4.4 Public Resource Allocation

Many people hold the view that it is wrong to spend public money on assisting professional sports teams or subsidizing millionaire hockey players and team owners when children are going hungry and health care is under-funded. This type of argument, however, could be used against funding any component of the broader public interest, including assisting the arts and subsidizing the CBC. Its application in the case of the NHL teams is not necessarily either more or less compelling. Rather, the question might be the preservation of tax revenue streams and regional economic benefits that are considerably larger than the outlay of public funds in question.

5. Principles for Action

Any initiative to assist NHL teams would need to meet the fundamental criterion of keeping the NHL in Canada over the long term. In addition, it would be desirable that any initiative to help the teams be based on contributions by all the relevant parties: the federal government, provincial governments, municipal governments, team management, the NHL and the players themselves. This does not imply that contributions should be equal from all sources.

A related question regarding shared responsibility is whether any initiative to assist the teams must be comprehensive and nation-wide – or whether it might be limited to those teams where the right circumstances exist.

6. Conclusion

This document demonstrates the complexity of the situation facing NHL teams in Canada. Clearly, the economic interests involved in professional sports in Canada are intertwined with the strong cultural implications of Canadian identity and our national winter sport. In addition, the parameters underlying the current situation are manifested in different ways across the six teams.

The complexity of this issue will require that any solution be based upon the cooperation of all of the stakeholders involved in NHL hockey in Canada. While this paper does not propose any one solution or approach, it outlines the interplay of issues to be considered by the participants in the process.

APPENDIX II – LIST OF PARTICIPANTS – JUNE 28TH ROUNDTABLE

Mr. Brian Bellmore
Associate Governor
Toronto Maple Leafs

Mr. Stephen Bellringer
President and Chief Executive Officer
Orca Bay Sports & Entertainment
Vancouver Hockey Club Ltd.

Mr. Gary Bettman
Commissioner
National Hockey League

M. Mario Bouchard
Directeur général des sociétés de la couronne
Gouvernement du Québec

Mr. Ron Bremner
President & Chief Executive Officer
Calgary Flames Hockey Club

Mr. Roderick M. Bryden
Chairman & Governor
Ottawa Senators Hockey Club

Mr. Robert (Bob) Chiarelli
Chair
Regional Municipality of Ottawa-Carleton

Mr. Ronald Corey
Governor & President
Le Club de Hockey Canadien Inc.

Mr. Ken Dryden
President & General Manager
Toronto Maple Leafs

Mr. Bob Goodenow
Executive Director
National Hockey League Players' Association

Mr. Harley Hotchkiss
Vice Chairman & Governor
Calgary Flames Hockey Club

Mr. Ray Jones
Alderman
City of Calgary

The Hon. John Manley, P.C., M.P.
Ottawa South (Ont.), Minister, Industry Canada
House of Commons

Her Worship Merle Nicholds
Mayor of Kanata
City of Kanata

Mr. Case Ootes
Deputy Mayor and Councillor for East York
City of Toronto

Mr. George Puil
City Councillor
City of Vancouver

Mr. Glen Sather
President & General Manager
Oilers Hockey Inc.

The Hon. Murray Smith
Minister of Gaming
Government of Alberta

His Worship Mayor Bill Smith
Mayor of Edmonton
City of Edmonton

Mr. Chris Trumpy
Deputy Minister
Ministry of Finance
Government of British Columbia

Hon. Gerry Weiner
Member of the Executive Committee
City of Montreal

APPENDIX III – DOCUMENTS EXCHANGED BY STAKEHOLDERS DURING THE BI-LATERAL / MULTI-LATERAL CONSULTATION PROCESS

Included in Appendix III are copies of the following documents:

- September 14, 1999 – "Professional Hockey in Canada: NHL Self-help Initiatives and Proposed Stakeholder Contributions" (National Hockey League)
- September 16, 1999 – Letter from the Hon. Ernie Eves (Government of Ontario) to the Hon. John Manley (Industry Canada)
- September 29, 1999 – Letter from Mr. Bob Chiarelli (Region of Ottawa-Carleton) to the Hon. Ernie Eves (Government of Ontario)
- October 12, 1999 – Letter from the Hon. John Manley (Industry Canada) to the Hon. Ernie Eves (Government of Ontario)

PROFESSIONAL HOCKEY IN CANADA: NHL SELF-HELP INITIATIVES AND PROPOSED STAKEHOLDER CONTRIBUTIONS

September 14, 1999

I. THE NHL'S COMMITMENT TO PROFESSIONAL HOCKEY IN CANADA

Canada is and always has been the heart of NHL hockey; to the extent that heart continues to weaken, the body it supports (the League as a whole) may survive, but in a far less vital condition. The National Hockey League recognizes and appreciates this basic yet fundamental premise, and is therefore singularly committed to take all practical steps necessary not only to maintain the League's healthy and viable presence in Canada for the long-term, but also to continue its constitutionally-mandated purpose of "[p]erpetuat[ing] hockey as one of the national games of . . . Canada." See NHL Constitution Article II. Given the magnitude of the financial burdens which the Canadian Clubs currently face, however, it has become increasingly apparent that the League and its Clubs cannot realistically be expected to resolve the present dilemma entirely by themselves. In order to perpetuate hockey, and more particularly, NHL hockey, as a preeminent feature of Canadian life, more needs to be done by all of the stakeholders -- not just the NHL -- to significantly improve the business environment in which Canadian Clubs operate, and to help level the playing field on which they are being asked to compete.

Specifically, while the reality may be harsh, it must be recognized that in the absence of governmental efforts to address the currency and taxation differentials that Canadian Clubs currently face, it is highly probable that in the very near term at least some of the Canadian Clubs will find it impossible to continue to operate in Canada. And, as to those Clubs that will remain in Canada, it is inevitable that they will become less and less competitive as they are forced to fill their rosters with inexperienced young players, or low-cost, beyond their prime veterans, in order to help off-set the other substantial costs that are associated with operating a professional hockey team in Canada.

II. NHL INITIATIVES TO ASSIST CANADIAN CLUBS

The NHL has already implemented a number of League-sponsored initiatives to help address the competitive disadvantages currently facing the Canadian Clubs. As described in more detail below, self-help steps taken thus far include the League's "Group II Equalization Plan" and its "Supplemental Currency Assistance Plan," both of which are revenue sharing programs designed to help address the enormous competitive and financial challenges posed by the present currency differential between the U.S. and Canadian dollar. Both of these Plans are funded directly by all of its Clubs -- Canadian and U.S.-based Clubs alike -- and are indicative of the level of concern and support that the League and its Clubs have for the continued financial and competitive viability of the Canadian Clubs. (See Attachment A for a summary of the financial assistance provided pursuant to these Plans since their inception.) The League also has recently engineered the restructuring of television rights in Canada so as to maximize both national and local television revenue potential for each of the Canadian Clubs. Finally, Canadian Clubs have, on their own initiative, attempted to control their costs so as to help ameliorate present financial hardships. Together, these steps have laid a strong

foundation, but obviously have only begun to relieve the economic burdens which the Canadian Clubs currently face.

A. Group II Equalization Plan: This program establishes a fund designed to enhance the ability of Canadian Clubs to match offers made by U.S. teams to "Group 2" restricted free agents. Payments out of the fund offset the foreign exchange rate differential between a free agent player's previous salary and the salary offer made by a U.S. team for the services of such player.

- This program was adopted in July 1995 by the NHL Board of Governors and has been in effect from the 1995-96 season through present. In December 1998, the NHL Board of Governors voted unanimously in favor of continuing the program through the 1999-2000 season.

- The fund offers $10.4 million (CDN) in annual assistance. All NHL teams -- Canadian and U.S. -- contribute equally to the fund.

- Eligible Canadian Clubs are those who rank in the bottom two-thirds of teams in the League in team revenues (based on URO results for the applicable season).[1]

- Continuation of the program after the 1999-2000 season is subject to approval by the NHL Board of Governors; however, Clubs would be asked to commit to continuation of the program through the 2003-04 season if the other stakeholders are willing to agree to provide some form of meaningful assistance to the Canadian Clubs.

B. Supplemental Currency Assistance Plan: This program provides subsidies to Canadian Clubs whose revenues fall below the League's median, provided their revenues also are at least 80% of the League average (or, alternatively, the Canadian Club is able to demonstrate adequate levels of local support through the satisfaction of various criteria relating to ticket sales, dasherboard sales, and suite sales).

- This program was adopted in July 1995 by the NHL Board of Governors and has been in effect from the 1995-96 season through present. In December 1998, the NHL Board of Governors voted unanimously in favor of continuing the program through the 1999-2000 season.

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[1] References to "URO" results are to the League's Unified Report of Operations which is a comprehensive report on a team-by-team basis of financial results from each team's hockey operations.

- All NHL teams contribute in differing amounts to the pool that funds this program, depending on where they rank in the League in team revenues.

- Determinations for qualification for supplemental assistance are made annually, after the conclusion of each season.

- To date, $42.1 million (CDN) has been distributed to Canadian Clubs under this program (1995-96: $7.3 million (CDN); 1996-97: $10.3 million (CDN); 1997-98: $11.8 million (CDN); 1998-99: $12.7 million (CDN)).

- The total amount of supplemental assistance available under this program increases each year to the same extent that overall League revenues increase (e.g., to the extent League revenues increase 11 percent in a given year, the total pool that funds this program also is increased by 11 percent).

- In each of the 1995-96, 1996-97, and 1997-98 seasons, Calgary, Edmonton, and Ottawa qualified for assistance. In 1998-99, Calgary, Edmonton, Ottawa, and Vancouver qualified for assistance.

- Continuation of the program after the 1999-2000 season is subject to approval by the NHL Board of Governors; however, the Clubs would be asked to commit to continuation of the program through the 2003-04 season if the other stakeholders are willing to agree to provide some form of meaningful assistance to the Canadian Clubs.

C. Restructuring of Canadian Television Rights: In 1998, the League fundamentally restructured its Canadian television rights which, among other things, resulted in:

- increased Canadian national rights fees;

- more games available to the Canadian Clubs to sell as part of their local television packages;

- a larger home television territory to offer to potential rightsholders; and

- the generation of competition from regional sports networks for the sale of local television rights.

As a result of this restructuring, revenues generated from both local and national television in Canada were substantially enhanced for the Canadian Clubs beginning in 1998-99. (See Attachment B.)

Policy Forum des politiques publiques

D. Demonstrated Resolve to Control Player Costs: While a significant challenge facing all NHL Clubs today is the growth of player salaries, it bears mention that each of the Canadian Clubs has demonstrated over the past several years its own individual resolve to control its player payroll. Indeed, for each of the last nine years, the Canadian Clubs' average major league player payroll expenditure has been significantly lower than the average major league player payroll expenditure of the U.S. Clubs, and, in fact, has never exceeded 90% of such average. Since 1996-97, Canadian Clubs have spent on average $6.9 million (CDN) less on major league player compensation (excluding player benefits and playoff bonuses) than have their U.S. counterparts: $6.8 million (CDN) less in 1996-97; $5.8 million (CDN) less in 1997-98; and $8.0 million (CDN) less in 1998-99. (See Attachment C.) Thus, while there may be legal limits to what the Clubs can do collectively to control escalating player salaries, the Canadian Clubs increasingly have committed themselves, on an individual basis, to controlling their own costs.

III. ADDITIONAL STEPS CONTEMPLATED IN CONNECTION WITH MEANINGFUL ASSISTANCE PROVIDED BY OTHER STAKEHOLDERS

The League recognizes that more must be done to address the competitive disadvantages faced by the Canadian Clubs and it is committed to continuing to explore additional initiatives in connection with meaningful assistance being provided by other stakeholders.

A. Continuation of Canadian Assistance Program: As discussed above, the NHL Board of Governors has recently approved the continuation of the Group II Equalization Plan and the Supplemental Currency Assistance Plan through the 1999-2000 season, and, if the other stakeholders are willing to agree to provide some form of meaningful assistance to the Canadian Clubs, the Clubs would be asked to commit to continue these programs at least through the end of the current Collective Bargaining Agreement in 2004.

B. Commitment to Address the Situation Through Collective Bargaining: The League is committed to achieving, in lawful collective bargaining with the NHLPA, a player system that will provide each Canadian Club with the ability both to remain strong and competitive on the ice, and to operate on a financially viable basis off the ice. The current Collective Bargaining Agreement, however, does not expire until September 2004. Accordingly, while efforts will continue to be made to dialogue with the NHLPA in an effort to effectuate changes in the short-term that may relieve the financial pressures NHL Clubs are experiencing, it is likely that any program of assistance will need to be of a sufficient duration to allow the Clubs the ability to survive and compete through the end of the current Collective Bargaining Agreement. The NHL fully recognizes, however, that there may be no appetite or willingness on the part of the Canadian public to continue any plan of assistance beyond 2004 if the NHL is unable to achieve a system in collective bargaining that is capable of substantially addressing the problems facing the Canadian Clubs.

C. Commitment Against Canadian Club Relocation: In connection with a commitment by the various stakeholders to provide meaningful assistance to the Canadian Clubs, the League would ask the Canadian Clubs to demonstrate their commitment to finding ways to remain viable in Canada by undertaking not to apply to relocate their franchises outside of Canada through the 2003-04 season.

D. Contribution of Intellectual Property Rights to Government-Sponsored Lotteries: As discussed in more detail below, in connection with a decision to direct some portion of provincial and/or federal lottery revenues to help fund additional assistance for Canadian Clubs, the NHL is willing to consider granting the provinces the right to use team logos, marks, and other intellectual property rights in connection with government-sponsored lotteries in order to help increase the sale of lottery tickets and, in turn, generate what we believe would be substantial additional revenues.

IV. PROPOSED STAKEHOLDER CONTRIBUTIONS

As set forth above, the NHL and the Member Clubs are more than willing to continue to implement self help initiatives designed to address the significant competitive disadvantages faced by the Canadian Clubs. These initiatives, however, cannot by themselves be expected to sufficiently address the competitive disadvantages now confronting the Canadian Clubs. Accordingly, for purposes of facilitating a discussion as to other private and/or public policy initiatives that may be implemented to help address these disadvantages, we have attempted to identify several specific areas where meaningful assistance can be sourced and provided to the Canadian Clubs by other stakeholders.

A. Lottery Revenues: For the past decade, a number of the Canadian provinces have sponsored lotteries premised on the outcome of NHL games, which lotteries have generated tens of millions of dollars annually. Neither the NHL nor any of its Member Clubs have ever shared in any of these lottery proceeds, nor have they been otherwise compensated for the fact that the product the Clubs collectively pay almost $2 billion annually to produce (and, indeed, that many teams are losing money producing) is being exploited at no cost to the lotteries. Not only are such practices grossly unfair (particularly given the current economic condition of professional hockey in Canada), but they also may be violative of applicable laws protecting the League's intellectual property rights in its schedule, as well as in the results of its games.

We believe that the NHL is clearly entitled to some material portion or percentage of the total sales of sports-related lottery tickets attributable to NHL hockey. We have reason to believe that in 1996-97 alone, the total sales across Canada of sports-related lottery tickets attributable to NHL hockey totalled approximately $170 million. (See Attachment D.) Assuming 20% of these total sales should fairly be allocated to the NHL, and based on the 1996-97 figures, an additional $34 million on an annual basis could and should be directed to the NHL on behalf of its Member Clubs. In such event, the NHL would be more than willing to consider dedicating a portion (e.g., 10 percent) of

its share of hockey-attributable lottery funds to further support amateur hockey in Canada.

Moreover, in connection with any decision to direct some portion of provincial and/or federal lottery revenues to help fund additional assistance for Canadian Clubs, the NHL is willing to explore ways to help increase the sale of lottery tickets and, in turn, generate substantial additional revenues. Specifically, by contributing its marks and other intellectual property rights about, the League believes it could generate substantial incremental revenue for the lotteries, all of which revenue obviously would be attributable entirely to the League and its Clubs. Nonetheless, provided the League was satisfied it was receiving "fair value" for its contribution to the lotteries as now constituted, the League would likely also be willing to share on a 50-50 basis any incremental revenue that is generated as a result of the NHL's contribution of its marks and logos.

Finally, it should be noted and understood that because the intellectual property rights of the League and its Clubs are held collectively by all 28 NHL Clubs (including 22 U.S.-based Clubs), any monies directed to the League from the sale of lottery tickets attributable to NHL hockey, as well as any additional monies which are directed to the NHL for the contribution of its marks to enhance the sale of lottery tickets, are rightfully the property of all NHL Clubs collectively. In connection with its ongoing efforts to find new ways to assist its Canadian franchises, however, the NHL would be prepared to ask the U.S.-based Clubs to contribute to the Canadian Clubs 100% of their share of any such lottery revenues directed to the NHL so that any such assistance would inure entirely to the benefit of the six Canadian Clubs.

B. Tax Assessments. Each of the municipal, provincial, and federal governments in Canada benefit directly from the presence of NHL Clubs through the receipt of substantial tax revenues. At the municipal level, tax revenues are collected primarily from property and realty taxes (which in all cases are substantially higher than the taxes assessed to similarly situated U.S. Clubs by their U.S. municipalities). At the provincial level, tax revenues are collected from income and sales taxes, paid both by the Clubs and by their employees. And, at the federal level, significant taxes are generated again principally from the Clubs' employees, who obviously include highly-paid professional athletes, and from GST tax.

In addition, all three levels of government benefit indirectly from the positive economic impact that the presence of a professional sports franchise can bring to a city, province, and indeed, to a country. Although questioned by some, this substantial impact has, in fact, been measured by one of the provincial governments when, in 1994, the Alberta Government commissioned the Professional Sports Policy Committee to assess the economic impact of the Calgary Flames and Edmonton Oilers on the Province of Alberta. That Committee found combined economic benefits to the local and provincial economies from the Flames and Oilers of approximately $178 million, and concluded that: "professional sports franchises in Alberta contribute extensively to local,

regional and provincial economies. By considerable amounts, the two NHL franchises have a large economic impact within the provinces."

These economic benefits enjoyed by various levels of government in Canada through tax revenue and indirect economic spin-offs are perhaps "too rich" to be sustained for the long-term. The simple fact is that, in a very competitive international marketplace, the Canadian Clubs are strangling under heavy tax burdens that are grossly disproportionate both to the respective Clubs' total revenues, and to the relatively minor tax burdens borne by their U.S.-based counterparts. And, while the current tax burdens may have been appropriate to the relative economic health of the professional hockey industry in Canada at some historical point in time, the current -- and indeed, vastly different -- landscape in which the Canadian Clubs now operate simply renders their current tax burden unfair. Accordingly, some adjustment to these tax burdens in the near-term may be the only way to ensure a continuing flow of tax revenue to the various relevant levels of Canadian government for the long-term.

In this respect, we would suggest a re-evaluation of property and realty tax levels by the relevant municipalities; an elimination of unfair and illogical provincial taxes such as the Amusement Tax in Ontario which treats NHL hockey as "non-Canadian entertainment;" and the exploration of meaningful tax incentives at the federal level, such as an accelerated capital cost allowance for the over $1 billion investment in public infrastructure that the six Canadian Clubs, combined, have made in the last decade (of course, in order to provide a meaningful benefit, some provision must also be made for the transferability of the tax credit created).

C. Other Sources: Participation in lottery-generated revenues and a restructuring of certain tax burdens are not the only means by which meaningful assistance can be provided to the Canadian Clubs. The federal and provincial governments should also commit themselves to working with the NHL, and, if necessary, the NHLPA, to establish new sources of revenue that can be directed to the benefit of the Canadian Clubs. Similarly, the provincial and municipal governments should actively explore creative ways to solve problems which are unique to individual Clubs -- property taxes in Montreal, Toronto and Ottawa; public infrastructure costs in Ottawa; amusement taxes in Toronto and Ottawa; private arena financing and support costs in every NHL city in Canada; etc.

V. LEVEL AND DURATION OF ASSISTANCE REQUIRED

One logical measure of assistance would be to subsidize some portion of the currency exchange deficiency presently facing the Canadian Clubs. That deficiency, which currently ranges in the magnitude of $10-$15 million annually per Club, is a fair and logical measure (although, due to the other burdens, an understated measure) of the handicap each Canadian Club faces vis-a-vis their U.S. counterparts. Only through an elimination or substantial reduction of this deficiency can the Canadian Clubs remain competitive (and, in some cases, viable) through the term of the current Collective Bargaining Agreement.

And, as discussed in more detail above, we believe this deficiency can be addressed without materially altering or draining amounts currently directed to the public purse through a combination of minor adjustments to the tax treatment of Canadian Clubs and/or their buildings, Club-specific initiatives sponsored by relevant governmental authorities, and, most importantly, through a government-sponsored initiative to share hockey-related lottery revenues with the NHL. Indeed, depending on the magnitude of lottery-generated revenues that can be directed to the NHL and its Clubs, and the amount of additional revenue that can be generated through the contribution of NHL marks, logos, and other intellectual property rights to the lotteries, it is conceivable that the currency exchange deficiency of the Canadian Clubs can be eliminated entirely without any significant modification to current tax laws.

In terms of the duration of the assistance required, it would seem necessary that the various measures selected to address the burdens confronting Canadian Clubs be continued at least through the 2003-04 season, when the current Collective Bargaining Agreement expires. At that point, it would seem appropriate, and indeed the NHL would welcome, a re-examination of selected assistance programs to determine whether the "need" that clearly exists now is likely to continue to exist in the future.

ATTACHMENT A

NHL CURRENCY ASSISTANCE PROGRAM

	1995-96		1996-97		1997-98		1998-99		TOTAL	
SUBSIDIES PAID TO CLUBS:										
PHASE I [1]										
Winnipeg (re: Keith Tkachuk)	2,235,036	CDN	-	CDN	-	CDN		CDN	2,235,036	CDN
PHASE II										
Calgary	2,433,100	CDN	3,424,658	CDN	3,951,567	CDN	3,176,015	CDN	12,985,423	CDN
Edmonton	2,433,183	CDN	3,424,658	CDN	3,951,567	CDN	3,176,015	CDN	12,985,423	CDN
Ottawa	2,433,183	CDN	3,424,658	CDN	3,951,567	CDN	3,176,015	CDN	12,985,423	CDN
Vancouver		USN		USN		CDN	3,176,015	CDN	3,176,015	CDN
	7,299,550	CDN	10,273,973	CDN	11,854,702	CDN	12,704,060	CDN	42,132,285	CDN
TOTAL	9,535,486	CDN	10,273,973	CDN	11,854,702	CDN	12,704,060	CDN	44,368,221	CDN
BINDING BY TEAM:										
PHASE I										
All Teams	62,131	USD	-			USD		USD		
PHASE II										
U.S TEAMS -										
Top 2/3 of Revenues	206,099	USD	325,000	USD	335,000	USD	350,000	USD		
Bottom 1/3 of Revenues	206,099	USD	260,000	USD	260,000	USD	270,000	USD		
CANADIAN TEAMS -										
Top 1/3 of Revenues	206,099	USD	325,000	USD	335,000	USD	350,000	USD		
Middle 1/3 of Revenues	206,099	USD	350,000	CDN	335,000	CDN	350,000	CDN		
Bottom 1/3 of Revenues	206,099	USD	260,000	CDN	260,000	CDN	270,000	CDN		

[1] Maximum USD$7 million

ICCEP HISTORY CARD

ATTACHMENT B

LOCAL CANADIAN BROADCASTING REVENUES
(MILLIONS OF CANADIAN DOLLARS)

	1994	1995 [1]	1996	1997	1998	1999 [2]	AVG % INCREASE PER YEAR BEFORE	AVG % INCREASE PER YEAR AFTER
TOTAL	37.9	22.7	39.1	33.9	35.6	43.4		
AVG/TEAM	4.7	2.8	5.6	5.7	5.9	7.2	6%	22%

[1] NHL work stoppage season (48 out of 82 games where played)
[2] Year one of the new Canadian national broadcasting deal with Labatt/CBC

ATTACHMENT C

NHL MAJOR LEAGUE PLAYER COSTS
(MILLIONS OF CANADIAN DOLLARS)

AVERAGE MAJOR LEAGUE PLAYER COSTS PER TEAM

SEASON	CANADIAN TEAMS $MM	% OF U.S. TEAMS	U.S. TEAMS [1] $MM	ALL TEAMS $MM
1990/91	$5.9	80.5%	$7.1	$7.0
1991/92	8.3	77.4%	10.7	10.0
1992/93	10.2	68.4%	14.9	13.4
1993/94	16.2	81.8%	19.9	18.8
1994/95	14.6	86.6%	17.0	15.4
1995/96	26.9	91.7%	29.3	28.7
1996/97	29.5	81.2%	36.3	34.7
1997/98	39.0	87.0%	44.9	43.5
1998/99	43.3	84.4%	51.3	49.5

[1] U.S. dollars converted to Canadian dollars using an average exchange rate for the year.

Provincial Lotteries, 1996-97
(Canadian Dollars)

	Sports-Related Lottery Sales	Sales Attributable to Hockey
BC Lottery Corporation	$ 21,460,000	$ 10,730,000
Western Canada Lottery Corporation	$ 59,865,000	$ 29,933,000
Ontario Lottery Corporation	$202,208,000	$101,104,000
Loto Quebec	$ 50,001,000	$ 25,000,000
Atlantic Lottery Corporation	$ 10,100,000	$ 5,050,000
	$343,634,000	$171,817,000

Source: Compiled from data contained in Annual Reports of Provincial Lottery Corporations, 1996-97 and Industry Canada calculations. Sports in Canada, Report of the Sub-committee on the Study of Sport in Canada. November 1998.

ATTACHMENT D

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Ontario

September 16, 1999

Honourable John Manley
Minister of Industry
House of Commons
Ottawa, Ontario K1A 0H5

Dear Minister Manley,

I am writing further to your letter of July 2, 1999 and further to recent conversations my Deputy Minister Dr. Bryne Purchase has had with Dr. David Zussman, President of the Public Policy Forum, regarding Ontario's position on the challenges facing NHL teams in Canada.

Our government recognizes the economic and cultural importance of hockey to our province and to our country, and the Ontario government has always stated its willingness to engage in constructive consideration of the issue.

That being said, Ontario must ensure that its taxpayers' interests are protected and that all stakeholders are contributing to a shared solution before our government can make a commitment. That means the NHL league, owners, and players' association must come forward with ideas to address the issues of players' salaries and the sharing of revenues between competing teams in smaller markets. If the NHL is not part of the solution, regardless of what governments do, Canadian franchises will be in the same situation a few years from now.

Ontario must also ensure that its health programs and not-for-profit charities continue to be protected. Therefore, our government will not consider diverting its provincial lottery revenues away from these priority not-for-profit programs to fund professional for profit hockey clubs.

Furthermore, Ontario already gives approximately $20 M/ year of its lottery revenues to the federal government making Ontario by far the largest provincial contributor of lottery revenues to the $52.4M federal lottery pool. To provide any more provincial lottery revenue is not feasible. If the federal government wants to provide direct cash support with the money already given to them by the provinces, that is your decision.

...2

Ontario also has concerns with the idea of establishing a separate NHL lottery, complete with NHL logos, where some of the proceeds would be used to support professional hockey in Canada. Before we would be willing to consider such an option, we would have to be convinced that establishing such a lottery would not erode the amount of lottery revenues currently flowing to priority not-for-profit programs.

It is Ontario's position that there are other viable solutions on the table that the federal government could consider that will not take lottery money away from priority not-for-profit programs. For example, there is a request that the federal government re-visit the CRTC's decision denying the establishment of a NHL specialty channel network.

As we have stated to Dr. Zussman, Minister Martin, and representatives from Ontario's NHL franchises, the Ontario government is willing to consider possible property tax relief options for professional sporting facilities. However, since there are revenue implications to these options, no such solution would be appropriate to consider without the support and participation of the municipalities themselves.

We appreciate your efforts to coordinate a solution to this issue through the Public Policy Forum. We would like to hear from you on what solutions the federal government is willing to bring to the table, and to hear from the Public Policy Forum what the next steps are in the process.

Ontario looks forward to working with all stakeholders, including the federal, provincial and municipal governments, along with the NHL league, owners, and players' association to develop a collective solution to this important matter.

Sincerely,

Ernie Eves
Deputy Premier and Minister of Finance

Cc. Honourable Paul Martin, Minister of Finance, Government of Canada
Dr. David Zussman, President, Public Policy Forum
Mr. Roderick M. Bryden, Chair and Governor, Ottawa Senators Hockey Club
Mr. Ken Dryden, President and General Manager, Toronto Maple Leafs
Mr. Gary Bettman, Commissioner, National Hockey League
Mr. Bob Goodenow, Executive Director, NHL Players' Association
Mr. Robert Chiarelli, Chair, Regional Municipality of Ottawa-Carleton
Honourable Gord Wilson, Minister of Finance, Government of British Columbia
Honourable Murray Smith, Minister of Gaming, Government of Alberta
Honourable Bernard Landry, Minister of Finance, Government of Quebec
His Worship Merle Nicholds, Mayor, City of Kanata
His Worship Mel Lastman Mayor, City of Toronto

Region of Ottawa-Carleton
Ottawa-Carleton Centre

Région d'Ottawa-Carleton
Centre Ottawa-Carleton

Bob Chiarelli
Chair/Président

29 September 1999

Honourable Ernie Eves
Deputy Premier and Minister of Finance
Office of the Minister
First Building South
7 Queen's Park Crescent
Toronto, Ontario
M7A 1Y7

Dear Minister Eves:

I am writing in response to your letter of September 16, 1999 to the Honourable John Manley, Minister of Industry for Canada. I was very pleased to read in your letter that the Government of Ontario is willing to participate with municipalities in a shared solution to the competitive challenges facing Canadian teams in the National Hockey League. I share your view of the economic and cultural importance of hockey to our country, our province and our municipalities.

Your letter to Minister Manley said you were "willing to consider possible property tax relief options for professional sporting facilities." The Corel Centre has experienced a massive property tax increase (at least 400%) since the building initially came into service. Because the Corel Centre is a unique facility a comparative approach to assessing the value of the building has been impossible. It has become clear that this massive tax increase, the full force of which is still being phased-in, is not equitable or fair.

I have been considering the most appropriate mechanisms that could allow municipalities to partner with the Province of Ontario and the Government of Canada in offering some significant and much needed relief from the Corel Centre's taxation burden. We need to meet with your officials to define the specifics of that partnership.

In our view, the most appropriate manner in which this initiative can move forward from a municipal property tax perspective is for your government to enact any necessary regulations and amendments to the legislation that would allow the Corel Centre to be taxed in a fair and equitable manner in relation to all other property taxpayers.

../2

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www.bobchiarelli.com

I would propose the following:

1. Your government amending the legislation as necessary to establish a new separate mandatory tax class for the Corel Centre with an appropriate tax ratio range of fairness that would provide significant relief to the Corel Centre's current burden of taxation for municipal purposes. Regional Council could then consider an appropriate ratio within the range of fairness after giving due regard to the impact on all other Regional taxpayers; and

2. Your government providing an exemption to the Corel Centre from some or all of the education portion of property tax through necessary amendments to the Education Quality Improvement Act, 1997, that would treat the Corel Centre in a similar fashion to a theatre of 1000 seats or more.

In order to resolve the issues involved as quickly as possible, I would suggest that our respective staffs meet to work out the necessary technical and legislative details. I would then commit to putting the item in front of Regional Council at the earliest possible opportunity.

Yours truly,

Bob Chiarelli
Chair, Region of Ottawa-Carleton

cc: Honourable John Manley, Minister of Industry, Government of Canada
Dr. David Zussman, President, Public Policy Forum
Her Worship Merle Nicholds, Mayor, City of Kanata
Hon. John Baird, Minister of Community and Social Services

Minister of Industry Ministre de l'Industrie

Ottawa, Canada K1A 0H5

The Honourable L'honorable
John Manley P.C., M.P. c.p., député

OCT 12 1999

The Honourable Ernie Eves, M.P.P.
Deputy Premier and Minister of Finance
Government of Ontario
Frost Building South
7 Queen's Park Crescent
Toronto, Ontario
M7A 1Y7

Dear Mr. Eves:

Thank you for your letter of September 16, 1999, concerning the financial challenges confronting the National Hockey League (NHL) teams in Canada.

The Public Policy Forum, on behalf of the federal government, has been meeting with stakeholders over the past several months. The purpose of these consultations is to determine whether there is sufficient definable commitment on the part of stakeholders to warrant a second meeting to discuss a possible strategy for action.

I agree that all stakeholders need to contribute significantly to a shared solution before government participation is justifiable. The federal government has established a similar condition for federal participation, which was set out in my earlier correspondence to Canadian NHL stakeholders last spring and restated in my comments at the meeting of stakeholders on June 28 in Toronto. I am also of the view that a substantial contribution by the NHL and the NHL players is key, and such support has not materialized.

...2

I was pleased to learn that the Ontario government is prepared to consider lower municipal property taxes for professional sporting facilities. If Ontario were to proceed with this measure, following the lead set by the Government of Alberta, it may convince the governments of British Columbia and Quebec of the merits of adopting similar policies in their provinces.

I would like to take this opportunity to clarify two comments in your letter, one regarding payments made to the federal government from provincial lottery revenues, and the other pertaining to the Canadian Radio-Television and Telecommunications Commission (CRTC). With regard to lotteries, of the approximate $52 million received annually by the federal government from all provincial governments, only about $1.5 million is attributable to wagering on NHL games. In the case of payments from the Province of Ontario, less than $1 million of Ontario's approximate $20 million annual payment to the federal government can be attributed to wagering on NHL games. In comparison, Ontario's net receipts from lotteries for fiscal year 1997-1998 totalled about $735 million, with wagering on NHL games accounting for approximately $30 million of this amount. With respect to the suggestion contained in your letter, if an all-stakeholder solution could be achieved that includes the establishment of new provincial sports lotteries dedicated to assisting NHL teams, I would be prepared to consider options for directing any federal portion of new sports lottery revenue for the same purpose.

The CRTC is an independent quasi-judicial agency regulating the broadcasting and telecommunications industry. As such, I am not in a position to know whether an application for an NHL specialty channel network would be granted approval. Nonetheless, this may be an option that the NHL may want to pursue.

By providing the Public Policy Forum with a copy of your letter to me, you can be assured that your views will be incorporated into the Forum's report on the willingness of stakeholders to participate in a shared solution.

...3

Thank you again for providing me with your views on this important matter.

Yours very truly,

John Manley

c.c. The Honourable Paul Martin, P.C., M.P., Minister of Finance
The Honourable Paul Ramsey, Minister of Finance, Government of British Columbia
The Honourable Murray Smith, Minister of Gaming, Government of Alberta
The Honourable Bernard Landry, Deputy Premier and Minister of Finance, Government of Quebec
Her Worship Merle Nicholds, Mayor, City of Kanata
His Worship Mel Lastman, Mayor, City of Toronto
Mr. Robert Chiarelli, Chair, Regional Municipality of Ottawa-Carleton
Mr. Gary Bettman, Commissioner, National Hockey League
Mr. Bob Goodenow, Executive Director, NHL Players' Association
Mr. Roderick M. Bryden, Chair and Governor, Ottawa Senators Hockey Club
Mr. Ken Dryden, President and General Manager, Toronto Maple Leafs Hockey Club
Dr. David Zussman, President, Public Policy Forum